SUPREME COURT, U. S.

Supreme Court, U.S.
FILED
AUG 21 1971
E. ROBERT SEAVER, CLERK

IN THE

Supreme Court of the United States

October Term, 1970
No. 71-118

MASSILLON-CLEVELAND-AKRON SIGN CO.,
Petitioner,

vs.

GOLDEN STATE ADVERTISING CO., INC.; ALBERT A. GOLD; and McCOY-GOLD MERCHANDISING, INC.,
Respondents.

PETITIONER'S REPLY BRIEF.

WILLIAM K. RIEBER,
3435 Wilshire Boulevard,
Suite 2400,
Los Angeles, Calif. 90010,
Counsel for Petitioner.

Of Counsel:
JOSEPH FREASE,
JOHN B. FREASE,
FREASE and BISHOP,
Canton, Ohio,
and
ROBERT W. FULWIDER,
JOHN D. BAUERSFELD,
FULWIDER, PATTON, REIBER,
LEE & UTECHT,
Los Angeles, California.

Parker & Son, Inc., Law Printers, Los Angeles. Phone 724-6622

SUBJECT INDEX

Page

Contrary to Respondents' Contention, an Executed Agreement in Settlement of a Justiciable Controversy Constitutes a Mutual Waiver of the Right to Litigate the Same and Such Waivers Must Be Respected 1

Contrary to Respondents' Contention Litigation Was, in Substance "Pending" at the Time of Entering the Agreement at Bench 3

TABLE OF AUTHORITIES CITED

Case

United States v. Armour & Co., (1971) .... U.S. ...., 91 S. Ct. 1752 ..... 1, 2, 4

IN THE

Supreme Court of the United States

October Term, 1970
No. 71-118

MASSILLON-CLEVELAND-AKRON SIGN CO.,
Petitioner,

vs.

GOLDEN STATE ADVERTISING CO., INC.; ALBERT A. GOLD; and McCOY-GOLD MERCHANDISING, INC.,
Respondents.

PETITIONER'S REPLY BRIEF.

This is a reply to points raised in Respondents' Brief in Opposition to the Petition.

Contrary to Respondents' Contention, an Executed Agreement in Settlement of a Justiciable Controversy Constitutes a Mutual Waiver of the Right to Litigate the Same and Such Waivers Must Be Respected.

Respondents suggest that to treat the Settlement Agrement *sub judice* as a waiver is "merely to deal in semantics". (Resp. Br. pp. 2-3.)

This contention is in square conflict with a recent ruling of this court.

In *United States v. Armour & Co.*, ... U.S. ....., 91 S. Ct. 1752 (1971) this Court held that a consent decree in an antitrust case must be construed as limited

by the settlement agreement[1] pursuant to which it was drawn, and not broadly construed to accomplish all purposes for which the suit was originally prepared. The Government had argued that these original purposes, *i.e.* the prevention of certain "anti-competitive evils," should not be frustrated by a too literal adherence to the language of the decree.

In rejecting the Government's argument and holding in favor of the Defendant, this Court said:

> "This argument would have great force if addressed to a court which had the responsibility for formulating original relief in this case, after the factual and legal issues raised by the pleadings *had been litigated*. It might be a persuasive argument for modifying the original degree, [*sic*—decree] after full litigation, on a claim that unforeseen circumstances now made additional relief desirable to prevent the evils aimed at by the original complaint. Here, however, where we deal with the construction of an existing consent decree, such an argument is out of place.
>
> "Consent decrees are entered into by parties to a case after careful negotiation has produced agreement on their precise terms. *The parties waive their right to litigate the issues involved* in the case and thus save themselves the time, expense, and inevitable risk of litigation. Naturally the agreement reached normally embodies a compromise; in exchange for the saving of cost and elimination of risk, the parties each give up some-

[1]The settlement agreement in *Armour*, was obviously negotiated prior to the filling of the complaint since the consent decree was entered the same day as the complaint was filed. [91 S. Ct. 1752 at 1754].

> thing they might have won had they proceeded with the litigation. . . . Because the defendan has, by the decree, waived his right to litigate the issues raised, a right guaranteed to him by the Due Process Clause, *the conditions upon which he has given that waiver must be respected, and the instrument must be construed as it is written,* and not as it might have been written had the plaintiff established his factual claims and legal theories in litigation." (91 S. Ct. 1752 at 1757) (emphasis added) (footnotes omitted).

So it is in the case at bench. Respondents in the face of a threatened lawsuit in June of 1962, waived their right to litigate patent validity. By the same token and upon the mutual conditions of *respondents'* waiver, petitioner waived its right—guaranteed by the Due Process Clause—to litigate *at that time* both validity and the full scope of respondents' admitted infringement.

As this Court has said in *Armour, supra,* "the conditions upon which he [Petitioner here] has given that waiver must be respected". (91 S. Ct. 1752 at 1757.)

Thus, it is clear that the holding of the court below which refused to "respect" such conditions, *i.e.,* respondents' waiver, is not only erroneous but squarely in conflict with the holding of this Court.

Contrary to Respondents' Contention Litigation Was, in Substance "Pending" at the Time of Entering the Agreement at Bench.

Respondents seek to avoid application here of the rationale usually applied in consent decree cases, by suggesting that "no litigation was pending when the

contract [*sub judice*] was entered into." (Resp. Br. p. 3.)

While it is true that petitioner had not yet filed its complaint when the contract was made, it is clear that in every real sense of the word litigation was "pending" on that date. One of the recitals states:

> "WHEREAS, all parties hereto desire to settle this matter without trial and without the cost of detail accounting procedures;" (Appendix to Petition p. 14.)

It is clear that to obtain these desirable objectives the parties were not obliged to go through the empty formality of filing a complaint and stipulation for a consent decree thus imposing an unnecessary administrative burden on the court.

The above quoted statement of intent by all parties is thus wholly inconsistent with the suggestion that no litigation was pending on the date of the Settlement Agreement.

Again we note that the circumstances described in *United States v. Armour, supra,* 91 S. Ct. 1752 show that the settlement agreement enforced as a waiver in that case was clearly arrived at before suit was filed. The consent decree there was described as "carefully worked out" (91 S. Ct. at 1755) "after careful negotiation" (91 S. Ct. at 1757) yet the stipulation for entry of the consent decree was entered the same day the complaint was filed. (91 S. Ct. at 1754.)

Thus the court below should have applied the rationale of consent decree cases to the case at bar

and in failing to do so is in conflict with the holdings of this Court.

Accordingly, for the reasons stated in the Petition and herein, review of this case by this Court by a Writ of Certiorari is clearly required.

Respectfully submitted,

WILLIAM K. RIEBER,
Attorney for Petitioner.

In the Supreme Court of the United States

OCTOBER TERM, 1970.

No. 71-118.

MASSILLON-CLEVELAND AKRON SIGN CO.,
Petitioner,

vs.

GOLDEN STATE ADVERTISING CO., INC.;
ALBERT A. GOLD; and
McCOY-GOLD MERCHANDISING, INC.,
Respondents.

MOTION OF THE CLEVELAND PATENT LAW ASSOCIATION FOR LEAVE TO FILE A BRIEF AMICUS CURIAE SUPPORTING THE PETITION FOR WRIT OF CERTIORARI.

WALTER MAKY,
601 Rockwell Avenue,
Cleveland, Ohio 44114,
Attorney for Amicus Curiae.

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

In the Supreme Court of the United States

OCTOBER TERM, 1970.

No. 71-118.

MASSILLON-CLEVELAND AKRON SIGN CO.,

Petitioner,

vs.

GOLDEN STATE ADVERTISING CO., INC.;
ALBERT A. GOLD; and
McCOY-GOLD MERCHANDISING, INC.,

Respondents.

MOTION OF THE CLEVELAND PATENT LAW ASSOCIATION FOR LEAVE TO FILE A BRIEF AMICUS CURIAE SUPPORTING THE PETITION FOR WRIT OF CERTIORARI.

MOVANT'S INTEREST.

The Cleveland Patent Law Association is an association of about 235 lawyers in northeastern Ohio, specializing in patent law. Members of the Association represent large corporations, small corporations, businessmen, and individual inventors.

A substantial part of the practice of members of the Association involves settlement of disputes between the owner of a patent and those accused of infringing the patent. In dealing with such disputes each member represents sometimes the owner of a patent and sometimes an accused infringer. The disputes are almost always resolved by agreements, formal or informal, and only in exceptional cases is litigation required.

Movant, for its members and their clients, has a strong interest in clarification of the law as to finality of settlement agreements.

MOTION.

Leave to file the following brief is requested.

BRIEF.

The decision of the Court of Appeals for the Ninth Circuit, dated June 8, 1971, held that the covenant of a party in a settlement agreement not to contest validity of the patent "is void on its face and unenforceable," notwithstanding unequivocal admission of infringement of the patent and acknowledgment of validity of the patent by said party (Exhibit C, pars. 1 and 2 on page 14 Appendix to Petition for Writ of Certiorari).

It is a fundamental principle that disputants should, if possible, settle their disputes themselves, and should not ask the courts to do this for them unless they are unable to agree on a reasonable settlement.

The decision of the Court of Appeals appears to make it impossible for settlements to have the finality and enforceability which are needed in order to terminate disputes. Instead, disputants desiring a final resolution of their differences would be forced to resort to otherwise unnecessary litigation.

Movant urges that the Supreme Court grant the writ and instruct the courts as to the extent to which enforceable settlement agreements of patent disputes can properly be made.

Respectfully submitted,

WALTER MAKY,
Attorney for Amicus Curiae.